

Red Bank Borough: Affordable Housing Trust Fund Spending Plan
April 4, 2019

INTRODUCTION

The Borough of Red Bank, Monmouth County has prepared a Housing Element and Fair Share Plan that addresses its regional fair share of the affordable housing need in accordance with the Municipal Land Use Law (N.J.S.A. 40:55D-1 et seq.), the Fair Housing Act (N.J.S.A. 52:27D-301), the stipulations within the Borough's Settlement Agreement with Fair Share Housing Center, and in accordance N.J.A.C. 5:93-1 et seq. and N.J.A.C. 5:91-1 et seq. A development fee ordinance creating a dedicated revenue source for affordable housing is in place and will continue to be applied after the adoption and endorsement of the Housing Plan Element and Fair Share Plan by the Borough Planning Board and Council.

1. REVENUES FOR CERTIFICATION PERIOD

Since December 20, 2007, when the Borough of Red Bank trust fund had a balance of \$165,903.58, the Borough collected \$244,877.05 and expended \$202,381.08, resulting in a balance of \$208,399.55 as of December 31, 2018. All development fees, payments in lieu of constructing affordable units on site, funds from the sale of units with extinguished controls, and interest generated by the fees are deposited in a separate interest-bearing affordable housing trust fund in for the purposes of affordable housing. These funds shall be spent in accordance with applicable affordable housing regulations as described in the sections that follow.

To calculate a projection of revenue anticipated during the period of third round substantive certification, the Borough of Red Bank considered the following:

(a) Development fees:

1. Residential and nonresidential projects which have had development fees imposed upon them at the time of preliminary or final development approvals;
2. All projects currently before the Planning Board for development approvals that may apply for building permits and certificates of occupancy; and
3. Future development that is likely to occur based on historical rates of development. This estimate was derived from NJDCA monthly data on Certificates of Occupancy, including the number of housing units certified and the square footage of non-residential space, developed between January 2010 and November 2018. The estimated square footage of residential and

non-residential improvements, based on available data on the Borough's housing stock, was then multiplied by the average cost per square foot of residential and non-residential space in the Borough, respectively. Development fees were estimated from those calculations, and form the basis of the projections.

(b) Other funding sources:

Funds from other sources, including, but not limited to, the sale of units with extinguished controls, repayment of affordable housing loans, rental income, and proceeds from the sale of affordable units. All monies in the Affordable Housing Trust Fund are anticipated to come from development fees and interest.

(c) Projected interest:

Interest projected revenue in the municipal affordable housing trust fund at the current average interest rate. The current interest rate is variable but as of March 2019 the rate is 2.314%.

Table 1. Projected Revenues 2019 -2025

Starting Balance (12/31/2018)	\$208,399.55							Total
SOURCE OF FUNDS	2019	2020	2021	2022	2023	2024	2025	Total
(a) Development Fees:	\$225,000.00	\$225,000.00	\$225,000.00	\$225,000.00	\$225,000.00	\$225,000.00	\$225,000.00	\$1,575,000.00
1. Approved Development	-	-	-	-	-	-	-	-
2. Development Pending Approval	-	-	-	-	-	-	-	-
3. Projected Development	\$225,000.00	\$225,000.00	\$225,000.00	\$225,000.00	\$225,000.00	\$225,000.00	\$225,000.00	\$1,575,000.00
(b) Payments in Lieu of Construction	-	-	-	-	-	-	-	-
(c) Other Funds	-	-	-	-	-	-	-	-
(d) Interest on Total Account Balance	\$5,206.50	\$5,206.50	\$5,206.50	\$5,206.50	\$5,206.50	\$5,206.50	\$5,206.50	\$36,445.50
Total	\$230,206.50	\$1,611,445.50						

The Borough of Red Bank projects a total of **\$1,611,445.50** in revenue and interest to be collected between January 1, 2019 and December 31, 2025. This projected amount, when added to the Borough's current trust fund balance of **\$208,399.55**, results in anticipated total revenue of **\$1,819,845.05** available to fund and administer its affordable housing plan. All interest earned on the account shall accrue to the account and be used only for the purposes of affordable housing.

2. ADMINISTRATIVE MECHANISM TO COLLECT AND DISTRIBUTE FUNDS

The following procedural sequence for the collection and distribution of development fee revenues shall be followed by the Borough of Red Bank:

(a) Collection of development fee revenues:

Collection of development fee revenues shall be consistent with the Borough of Red Bank's development fee ordinance for both residential and non-residential developments in accordance with Department of Community of Affairs rules and P.L.2008, c.46, sections 8 (C. 52:27D-329.2) and 32-38 (C. 40:55D-8.1 through 8.7).

(b) Distribution of development fee revenues:

Any requisition for affordability assistance, administrative costs (routine expenditures), or affordable housing development (significant expenditures) to the Finance Department recommending the expenditure of development fee revenues in this Spending Plan must be approved by the governing body. The Finance Department shall review the request for consistency with the Spending Plan. Once a request is approved for consistency by the Finance Department, the request is presented to the Borough Council for approval. After receiving Council approval, the funds may be disbursed.

3. DESCRIPTION OF ANTICIPATED USE OF AFFORDABLE HOUSING FUNDS

(a) Rehabilitation Program (N.J.A.C. 5:97-8.7)

Red Bank Borough will dedicate an average of \$10,000.00 per unit to rehabilitation projects. The Borough has an obligation to rehabilitate 129 units. Ninety (90) units in the Montgomery Terrace and Evergreen Terrace developments are included in the Borough's Rehabilitation Program, but are anticipated to be rehabilitated by the Red Bank Housing Authority (RBHA) through federal grant funding. At the midpoint review in July 2020, the Borough will reduce its rehabilitation obligation if, in collaboration with RBHA, it can demonstrate the realistic opportunity for the rehabilitation of these units through other funding sources.

This leaves an additional 39 unit rehabilitation obligation to be met by the Borough. As 13 units have been rehabilitated by the County in the Borough since 2000, and 5 additional units are anticipated to be rehabilitated by the County through 2025, the Borough expects to rehabilitate 21 additional units. An outline of these expenditures can be found in Table 4.

(b) First-Time Homebuyer Program

Red Bank will dedicate a maximum of \$10,000.00 per unit to assist first-time homebuyers seeking to purchase a home in the Borough. The funds will be available to support down payments, closing costs, and mortgage costs. Per the Borough's Settlement Agreement with Fair Share Housing Center, Red Bank has an obligation to support homeownership for 50 units in the Borough through 2025.

Monmouth County has a First-Time Homebuyer Program that has supported homeownership for units in the Borough since 2000, and given this rate of support, the Borough assumes that homeownership will be supported for another 18 units through 2025. Therefore, the Borough has an obligation to provide first-time homebuyer support for 32 units. An outline of these expenditures can be found in Table 4.

(c) Affordability Assistance (N.J.A.C. 5:97-8.8)

Projected minimum affordability assistance requirement:

Table 2. Minimum Affordability Assistance

Actual development fees and interest through 12/31/2018		\$240,186.56
Development fees projected 2019-2025	+	\$1,575,000.00
Interest projected 2019-2025	+	\$36,445.50
Less housing activity expenditures through 12/31/2018	-	\$133,019.13
Less projected Rehabilitation Program expenditures through 2025	-	\$1,110,000.00
Less projected First-Time Homebuyer Program expenditures through 2025	-	\$320,000.00
Total	=	\$288,612.93
30 percent requirement	x 0.30 =	\$86,583.88
Less affordability assistance expenditures through 12/31/2018	-	\$0.00
Projected Minimum Affordability Assistance Requirement 1/1/2019 through 12/31/2025	=	\$86,583.88
Projected Minimum Very Low-Income Affordability Assistance Requirement 1/1/2019 through 12/31/2025	x 0.34 =	\$29,438.52

*Actual affordability assistance minimums are calculated on an ongoing basis, and are predicated upon actual revenues collected through 2025.

Red Bank Borough will dedicate a minimum of **\$86,583.88** from the Affordable Housing Trust Fund to render units more affordable, including **\$29,438.52** to render units more affordable to households earning 30 percent or less of median income by region. As outlined in Table 4 below, the Borough intends to allocate additional funds to affordability assistance.

(d) Administrative Expenses (N.J.A.C. 5:97-8.9)

Table 3. Administrative Expense Calculation		
Actual development fees and interest through 12/31/2018		\$240,186.56
Development fees projected 2019-2025	+	\$1,611,445.50
Payments-in-lieu of construction and other deposits through 12/31/2018	+	\$4,690.49
Less RCA expenditures through 12/31/2018	-	\$0.00
Total	=	\$1,856,322.55
Calculate 20 percent	x .20 =	\$371,264.51
Less administrative expenditures through 12/31/2018	-	\$69,361.95
Projected maximum available for administrative expenses 1/1/2019 through 12/31/2025	=	\$301,902.56

The Borough has expended \$69,361.95 on administrative fees through December 31, 2018, leaving a remaining balance of **\$301,902.56** through 2025. Projected administrative expenditures, subject to the 20 percent cap, are as follows: Rehabilitation Administration fees, Planner fees and other Administrative Agent fees, as well as Attorney fees in connection with the implementation of the affordable housing programs set forth in this Spending Plan.

4. EXPENDITURE SCHEDULE

The Borough of Red Bank intends to use affordable housing trust fund revenues as set forth in the Housing Element and Fair Share Plan and is summarized as follows:

TABLE 4. Projected Expenditure Schedule 2019-2025								
Programs	2019	2020	2021	2022	2023	2024	2025	Total
Rehabilitation Program	\$60,000.00	\$220,000.00	\$220,000.00	\$220,000.00	\$220,000.00	\$120,000.00	\$50,000.00	\$1,110,000.00
First-Time Homebuyers Program	\$20,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$320,000.00
Affordability Assistance	\$12,563.21	\$12,563.21	\$12,563.21	\$12,563.21	\$12,563.21	\$12,563.21	\$12,563.21	\$87,942.49
Administration	\$43,128.94	\$43,128.94	\$43,128.94	\$43,128.94	\$43,128.94	\$43,128.94	\$43,128.94	\$301,902.56
Total	\$135,692.15	\$325,692.15	\$325,692.15	\$325,692.15	\$325,692.15	\$225,692.15	\$155,692.15	\$1,819,845.05

5. EXCESS OF FUNDS

In the event that more funds than anticipated are collected, these excess funds will be used to fund the Rehabilitation and/or First-Time Homebuyer Programs.

6. BARRIER FREE ESCROW

Collection and distribution of barrier free funds shall be consistent with the Borough's Affordable Housing Ordinance in accordance with N.J.A.C. 5:97-8.5. A process describing the collection and distribution procedures for barrier free escrow funds pursuant to N.J.A.C. 5:97-8.5 is detailed within the Affordable Housing Ordinance.

SUMMARY

Red Bank Borough intends to spend Affordable Housing Trust Fund revenues pursuant to N.J.A.C. 5:93-8 and consistent with the housing programs outlined in the Housing Element and Fair Share Plan. The Borough has a balance of **\$208,399.55** as of December 31, 2018 and anticipates an additional **\$1,611,445.50** in revenues, including interest, before the expiration of substantive certification in 2025 for a total of **\$1,819,845.05**. The municipality will dedicate **\$1,110,000.00** toward rehabilitation, **\$320,000.00** for first-time homebuyers, **\$87,942.49** to affordability assistance, and **\$163,778.66** for administrative costs. Total expenditures are anticipated to be **\$1,819,845.05**.

Table 5. Spending Plan Summary	
Balance as of December 31, 2018	\$208,399.55
Projected Revenue 2019-2025	\$1,611,445.50
Development Fees	\$1,575,000.00
Other Funds	\$0.00
Interest	\$36,445.50
TOTAL REVENUE	\$1,819,845.05
Expenditures	
Rehabilitation Program	\$1,110,000.00
First-Time Homebuyer Program	\$320,000.00
Affordability Assistance	\$87,942.49
Administration	\$301,902.56
TOTAL PROJECTED EXPENDITURES	\$1,819,845.05
REMAINING BALANCE	\$0.00